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Public Ruling

Pay-roll Tax Act—Harmonised:

GST CONSIDERATIONS FOR THE

CALCULATION OF PAY-ROLL TAX LIABILITY

A Public Ruling, when issued, is the published view of the Commissioner on the particular topic to which it relates. It therefore replaces and overrides any existing private rulings, memoranda, manuals and advice provided by the Commissioner in respect of the issue/s it addresses. Where a change in legislation or case law (the law) affects the content of a Public Ruling, the change in the law overrides the Public Ruling—that is, the Commissioner will determine the tax liability or eligibility for a concession, grant, subsidy or exemption, as the case may be, in accordance with the law.

What this Ruling is about

1. The *Pay-roll Tax (Harmonisation) Amendment Act 2008* amended the *Pay-roll Tax Act 1971* (the *Pay-roll Tax Act*) with effect from 1 July 2008 to harmonise certain aspects of Queensland's pay-roll tax system with the systems of other jurisdictions.
2. From 1 July 2000, the supply of most goods and services became subject to the Commonwealth's Goods and Services Tax (the GST). The GST has relevance to pay-roll tax because certain supplies which are subject to the GST are also subject to pay-roll tax. These include the supply of labour services by contractors and agency supplied staff.
3. Section 4(5) of the *Pay-roll Tax Act* provides that GST will be excluded from wages (other than wages that comprise fringe benefits) in circumstances where a payment for a supply of services is taken to be wages under the *Pay-roll Tax Act* and that payment includes an amount of GST.
4. This Public Ruling explains how the GST impacts on the calculation of an employer's liability for pay-roll tax.

Ruling and explanation

Payments to employees

5. Employees' wages and salaries are not subject to GST. Consequently, there is no impact for pay-roll tax purposes.

Payments to contractors

6. An employer can exclude the GST component from those payments to contractors which are taken to be taxable wages under the Pay-roll Tax Act.

Example 1

Employer A engages Contractor B for 12 months. Contractor B invoices Employer A for \$6 000 a month plus \$600 GST. Assuming that the payments are not otherwise exempt under the Pay-roll Tax Act, the taxable wages are taken to be \$6 000 per month.

Payments in relation to employment agency contracts

7. An employment agent can exclude the GST component from payments to service providers (on-hired workers) which are taken to be wages under the Pay-roll Tax Act.

Example 2

An employment agency supplies a person to its client under an employment agency contract for one month. It paid that person \$2 000 plus \$200 GST. Assuming that the payments are not otherwise exempt, the taxable wages for the month are taken to be \$2 000.

Fringe benefits

8. The value of a fringe benefit for pay-roll tax purposes is the value determined by grossing up the aggregate fringe benefits amount using the formula for Type 2 benefits specified under the *Fringe Benefits Tax Assessment Act 1986* (Cwlth) (the FBT Act).
9. The value of a fringe benefit may or may not include GST depending on the valuation rules applicable under the FBT Act. Where the value so determined includes GST, the GST amount is also included in the value for pay-roll tax purposes.

Date of effect

10. This Public Ruling takes effect from 1 July 2008.

David Smith
Commissioner of State Revenue
Date of Issue 24 February 2009

References

Public Ruling	Issued	Dates of effect	
		From	To
PTA008.1	24 February 2009	1 July 2008	2 July 2009